

**Motor Dealer Council of  
British Columbia  
(Operating as Motor Vehicle Sales  
Authority of British Columbia)  
Financial Statements**  
*Year ended March 31, 2016*

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Contents**

*For the year ended March 31, 2016*

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To the Directors of Motor Dealer Council of British Columbia:

We have audited the accompanying financial statements of Motor Dealer Council of British Columbia, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Motor Dealer Council of British Columbia as at March 31, 2016 and the results of its operations, its cash flows and changes in fund balances for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Report on Other Legal and Regulatory Requirements*

As required by the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Surrey, British Columbia

April 28, 2016

*MNP LLP*

Chartered Professional Accountants

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Statement of Financial Position**

*As at March 31, 2016*

	<i>Operating Fund</i>	<i>Reserve for Consumer Awareness Fund</i>	<i>Internally Restricted and Capital Asset Funds (Note 8)</i>	<b>2016</b>	<i>2015</i>
<b>Assets</b>					
<b>Current</b>					
Cash	1,006,120	100,000	660,487	<b>1,766,607</b>	1,542,729
Accounts receivable	77,771	-	-	<b>77,771</b>	36,245
Term deposits (Note 3)	504,493	-	-	<b>504,493</b>	510,578
Marketable securities (Note 4)	84,283	-	1,187,121	<b>1,271,404</b>	505,699
Prepaid expenses and deposits	107,644	-	-	<b>107,644</b>	131,380
	<b>1,780,311</b>	<b>100,000</b>	<b>1,847,608</b>	<b>3,727,919</b>	2,726,631
<b>Capital assets (Note 5)</b>	-	-	369,842	<b>369,842</b>	407,007
<b>Term deposits (Note 3)</b>	1,010,819	-	-	<b>1,010,819</b>	1,109,750
	<b>2,791,130</b>	<b>100,000</b>	<b>2,217,450</b>	<b>5,108,580</b>	4,243,388

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*The accompanying notes are an integral part of these financial statements*

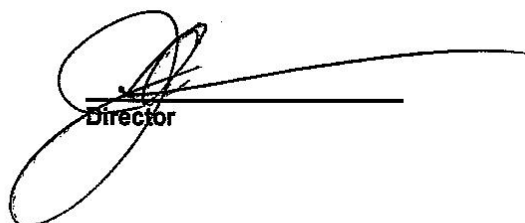
**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Statement of Financial Position**

*As at March 31, 2016*

	<i>Operating Fund</i>	<i>Reserve for Consumer Awareness Fund</i>	<i>Internally Restricted and Capital Asset Funds (Note 8)</i>	<b>2016</b>	2015
<b>Liabilities</b>					
<b>Current</b>					
Accounts payable and accruals (Note 6)	221,308	-	-	<b>221,308</b>	171,845
Unearned revenue	1,786,291	-	-	<b>1,786,291</b>	1,682,021
	<b>2,007,599</b>	-	-	<b>2,007,599</b>	1,853,866
<b>Commitments (Note 7)</b>					
<b>Fund Balances</b>					
Unrestricted	783,531	-	-	<b>783,531</b>	897,928
Invested in Capital Assets	-	-	369,842	<b>369,842</b>	407,007
Internally restricted	-	100,000	1,847,608	<b>1,947,608</b>	1,084,587
	<b>783,531</b>	<b>100,000</b>	<b>2,217,450</b>	<b>3,100,981</b>	2,389,522
	<b>2,791,130</b>	<b>100,000</b>	<b>2,217,450</b>	<b>5,108,580</b>	4,243,388

Approved on behalf of the Board

\_\_\_\_\_  
 Director

  
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 Director

*The accompanying notes are an integral part of these financial statements*

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Statement of Operations**

*For the year ended March 31, 2016*

	<i>Operating Fund</i>	<i>Reserve for Consumer Awareness Fund</i>	<i>Internally Restricted and Capital Asset Funds (Note 8)</i>	<b>2016</b>	<i>2015</i>
<b>Revenue</b>					
Administration fees and other	273,782	-	-	<b>273,782</b>	254,833
Consumer awareness	-	147,807	-	<b>147,807</b>	35,250
Course fees	1,006,260	-	-	<b>1,006,260</b>	1,004,098
Investment income (loss)	46,953	-	(36,979)	<b>9,974</b>	90,119
Licensing fees	3,678,461	-	-	<b>3,678,461</b>	3,499,700
Registrar's hearings	34,424	-	-	<b>34,424</b>	10,090
	<b>5,039,880</b>	<b>147,807</b>	<b>(36,979)</b>	<b>5,150,708</b>	4,894,090
<b>Expenses</b>					
Advertising	85,168	125,735	-	<b>210,903</b>	137,426
Amortization	-	-	107,775	<b>107,775</b>	111,225
Automotive	71,478	-	-	<b>71,478</b>	78,435
Consulting	132,778	-	-	<b>132,778</b>	148,952
Course costs, travel and meals	61,410	-	-	<b>61,410</b>	69,000
Governance	136,678	-	-	<b>136,678</b>	136,115
Office and general	536,562	-	-	<b>536,562</b>	529,557
Professional fees	137,543	-	-	<b>137,543</b>	110,806
Registrar's hearings	10,557	-	-	<b>10,557</b>	7,637
Rent and parking	282,854	-	-	<b>282,854</b>	286,727
Salaries and benefits	2,702,012	14,061	-	<b>2,716,073</b>	2,637,825
Training	45,011	-	-	<b>45,011</b>	30,533
	<b>4,202,051</b>	<b>139,796</b>	<b>107,775</b>	<b>4,449,622</b>	4,284,238
<b>Excess (deficiency) of revenue over expenses before other items</b>	<b>837,829</b>	<b>8,011</b>	<b>(144,754)</b>	<b>701,086</b>	609,852
<b>Other items</b>					
Gain on disposal of capital assets	-	-	10,373	<b>10,373</b>	-
<b>Excess (deficiency) of revenue over expenses</b>	<b>837,829</b>	<b>8,011</b>	<b>(134,381)</b>	<b>711,459</b>	609,852

*The accompanying notes are an integral part of these financial statements*

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Statement of Changes in Fund Balances**

*For the year ended March 31, 2016*

	<i>Operating Fund</i>	<i>Reserve for Consumer Awareness Fund</i>	<i>Internally Restricted and Capital Asset Funds (Note 8)</i>	<b>2016</b>	2015
<b>Fund Balances, beginning of year</b>	897,928	100,000	1,391,594	<b>2,389,522</b>	1,779,670
<b>Excess (deficiency) of revenue over expenses</b>	837,829	8,011	(134,381)	<b>711,459</b>	609,852
<b>Purchase of capital assets</b>	(77,727)	-	77,727	-	-
<b>Disposal of capital assets</b>	17,490	-	(17,490)	-	-
<b>Interfund transfers</b>	(891,989)	(8,011)	900,000	-	-
<b>Fund Balances, end of year</b>	<b>783,531</b>	<b>100,000</b>	<b>2,217,450</b>	<b>3,100,981</b>	2,389,522

*The accompanying notes are an integral part of these financial statements*

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Statement of Cash Flows**  
*For the year ended March 31, 2016*

	2016	2015
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
Excess of revenue over expenses	711,459	609,852
Amortization	107,775	111,225
Gain on disposal of capital assets	(10,373)	-
	<b>808,861</b>	<b>721,077</b>
Changes in working capital accounts		
Accounts receivable	(41,526)	(23,109)
Prepaid expenses and deposits	23,736	(33,480)
Accounts payable and accruals	49,463	783
Unearned revenue	104,270	92,136
	<b>944,804</b>	<b>757,407</b>
<b>Investing</b>		
Change in term deposits	105,016	(389,999)
Change in marketable securities	(765,705)	218,178
Purchase of capital assets	(77,727)	(15,410)
Proceeds on disposal of capital assets	17,490	-
	<b>(720,926)</b>	<b>(187,231)</b>
<b>Increase in cash resources</b>	<b>223,878</b>	<b>570,176</b>
<b>Cash resources, beginning of year</b>	<b>1,542,729</b>	<b>972,553</b>
<b>Cash resources, end of year</b>	<b>1,766,607</b>	<b>1,542,729</b>

*The accompanying notes are an integral part of these financial statements*



**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Notes to the Financial Statements**

*For the year ended March 31, 2016*

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**1. Incorporation and nature of the organization**

Motor Dealer Council of British Columbia ("the Society") was incorporated under the Society Act of British Columbia on July 31, 2003 as a not-for-profit society and thus is exempt from income taxes under the Income Tax Act ("the Act"). In order to maintain its status as a registered not-for-profit organization under the Act, the Society must meet certain requirements within the Act. In the opinion of management these requirements have been met.

On April 1, 2004, the Government of British Columbia granted to the Society the authority to administer and enforce the Motor Dealer Act and related regulations. On March 30, 2007, subject to amendment to the Motor Dealer Act, the Society has become known as the Motor Vehicle Sales Authority of British Columbia ("VSA"), better reflecting both the public and industry service roles of the independent regulatory agency.

The Society's mission statement is to regulate a fair motor vehicle sales marketplace through education and compliance.

**2. Significant accounting policies**

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, and include the following significant accounting policies:

***Fund accounting***

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Society, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Directors.

Three funds are maintained: Operating Fund, Reserve for Consumer Awareness Fund and Internally Restricted and Capital Asset Fund.

The Operating Fund is used to account for all revenues and expenses related to the general and ancillary operations of the Society.

The Reserve for Consumer Awareness Fund reports the assets, liabilities, revenues and expenses associated with increasing consumers' awareness regarding the services provided by the Society.

The Internally Restricted and Capital Asset Fund consists of:

- The Reserve for Future Training Costs Fund, which reports the assets, liabilities, revenue and expenses related to course development activities.
- The Regulatory Response Fund, which reports the assets, liabilities, revenues and expenses related to extraordinary legal costs.
- The Reserve for Future Business Property Acquisition Fund, which reports the assets that have been internally restricted for future property acquisition costs of the Society.
- The Capital Asset Fund, is used to account for all capital assets of the Society and to present the flow of funds related to their acquisition and disposal, unexpended capital resources and debt commitments.

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
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*For the year ended March 31, 2016*

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**Revenue recognition**

The Society follows the deferral method of accounting for contributions and reports on a fund accounting basis.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Society recognizes annual licensing fees from dealerships and sales representatives over the period of licensing, which varies from twelve to twenty-four months. Revenues from registrar's hearings are recognized when levied if collection is reasonably assured. Revenue from course fees, consumer awareness, administration and other revenue is recognized in the period in which the services are provided and collection is reasonably assured. Interest income is recognized when earned. Realized and unrealized gains and losses on marketable securities are recognized upon sale of the investment, or upon fair value measurement at each reporting period.

**Term deposits**

Term deposits that mature before March 31, 2017 are presented as current assets. Term deposits with maturity dates subsequent to March 31, 2017 are presented as long term assets.

**Capital assets**

Capital assets are initially recorded at cost. Amortization is provided using the following methods at rates and terms intended to amortize the cost of the assets over their estimated useful lives.

	<b>Method</b>	<b>Rate/Term</b>
Automotive	declining balance	30 %
Computer equipment	straight-line	3 years
Computer software	straight-line	2 years
Office equipment	straight-line	5 years
Leasehold improvements	straight-line	10 years
Navantis Project	straight-line	7 years

**Leases**

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. At the inception of a capital lease, an asset and a payment obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair market value. Assets under capital leases are amortized on a straight-line basis, over their estimated useful lives. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

**Employee future benefits**

The Society's employee future benefit program consists of a defined contribution pension plan based upon 3% of the employee's salary and no contribution threshold, with the Society's contributions expensed as incurred.

**Measurement uncertainty**

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the periods in which they become known.

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Notes to the Financial Statements**

*For the year ended March 31, 2016*

**Financial instruments**

The Society recognizes its financial instruments when the Society becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their exchange amount in accordance with CICA 3840 *Related Party Transactions* (refer to Note 9.)

At initial recognition, the Society may irrevocably elect to subsequently measure any financial instrument at fair value. The Society has not made such an election during the year.

The Society subsequently measures term deposits and marketable securities at fair value. All other financial assets and liabilities are subsequently measured at amortized cost. Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in excess of revenue over expenses. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at amortized cost or cost.

**Financial asset impairment**

The Society assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Society determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Society reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses. The Society reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of revenues over expenses in the year the reversal occurs.

**3. Term deposits**

Term deposits are recorded at fair value and have maturity dates ranging from April 2016 to March 2021, bearing interest at fixed rates between 1.5% and 3.1% per annum.

**4. Marketable securities**

The Society has investments in US and Canadian denominated exchange traded securities, presented at fair value, with a cost of \$1,265,659 (2015 - cost of \$495,638).

**5. Capital assets**

	<b>Cost</b>	<b>Accumulated amortization</b>	<b>2016 Net book value</b>	<b>2015 Net book value</b>
Automotive	170,027	92,908	77,119	54,813
Computer equipment	178,679	159,176	19,503	14,700
Computer software	181,588	181,588	-	-
Office equipment	194,055	182,950	11,105	12,391
Leasehold improvements	374,163	348,357	25,806	35,815
Navantis Project	388,831	152,522	236,309	289,288
	<b>1,487,343</b>	<b>1,117,501</b>	<b>369,842</b>	<b>407,007</b>

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2016*

**6. Accounts payable and accruals**

Included in accounts payable and accruals is \$37,581 (2015 - \$35,094) of remittances payable to various government agencies.

**7. Commitments**

The Society has entered into various lease agreements with estimated minimum annual payments, plus operating costs as determined on an annual basis, as follows:

	2017	189,311
	2018	167,921
		357,232

**8. Internally Restricted and Capital Asset Fund balances**

The Society has internally restricted certain of its assets for specific future purposes as described in Note 2 to the financial statements.

	<i>Capital Asset Fund</i>	<u><i>Internally restricted funds</i></u>			<i>2016</i>	<i>2015</i>
		<i>Reserve for Future Training Costs</i>	<i>Reserve for Regulatory Response</i>	<i>Reserve for Business Property Acquisition</i>		
Opening Fund balance	407,007	84,587	150,000	750,000	1,391,594	737,409
Investment income (loss)	-	-	-	(36,979)	(36,979)	-
Amortization	(107,775)	-	-	-	(107,775)	(111,225)
Gain on sale of assets	10,373	-	-	-	10,373	-
Excess (deficiency) of revenue over expenses	(97,402)	-	-	(36,979)	(134,381)	(111,225)
Transferred from Operating and Consumer Awareness Fund	-	-	-	900,000	900,000	750,000
Assets acquired	77,727	-	-	-	77,727	15,410
Assets disposed	(17,490)	-	-	-	(17,490)	-
Ending Fund balance	369,842	84,587	150,000	1,613,021	2,217,450	1,391,594

**9. Related party transactions**

During the year, the Society paid \$110,626 (2015 - \$104,029) in total governance costs to the eleven members of the Board of Directors comprised of directors' fees of \$86,835 (2015 - \$86,290) and expense reimbursements of \$23,791 (2015 - \$17,739).

These transactions were conducted in the normal course of operations and were measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2016*

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**10. Financial instruments**

The Society as part of its operations, carries a number of financial instruments. It is management's opinion that the Society is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

***Other price risk***

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

During the year, the Society's exposure to other price risk increased due to an increase in its investment in marketable securities.

***Foreign currency risk***

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As at March 31, 2016, the following items are denominated in US currency:

	<b>2016</b>	<b>2015</b>
	<b>CAD\$</b>	<b>CAD\$</b>
Cash	<b>10,803</b>	60,657
Marketable securities	<b>341,465</b>	141,284
	<b>352,268</b>	201,941

The Society's exposure to foreign currency risk has increased in the current year as the Society has an increase in US denominated assets.

***Liquidity risk***

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations associated with financial liabilities. The Society enters into transactions to purchase goods and services on credit, for which repayment is required at various maturity dates.

As at March 31, 2016 and for the period then ended, the Society's exposure to liquidity risk remained comparable to that of prior periods.

***Credit risk***

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Society's main credit risk relates to its accounts receivable. Approximately 90% of the Society's accounts receivable is due from companies in the auto sector. As at March 31, 2016, one customer comprised 57% of accounts receivable (2014 - one customer; 47%).

**11. Defined contribution plan**

The Society makes contributions to a defined contribution pension plan on behalf of its employees as defined in Note 2 to the financial statements. The Society's contributions are included in salaries and benefits in the year incurred.

**Motor Dealer Council of British Columbia**  
**(Operating as Motor Vehicle Sales Authority of British Columbia)**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2016*

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**12. Motor Dealer Customer Compensation Fund**

The Society provides administrative services for the Motor Dealer Customer Compensation Fund ("the Fund") and the Fund's Directors are appointed by the Society.

The Fund provides compensation to consumers who have incurred losses because a motor dealer has either discontinued its operations or has failed to meet certain legal obligations.

The Fund is managed by the Ministry of Public Safety and Solicitor General ("the Ministry") and as at March 31, 2016 the unaudited fund balance is \$936,324.